

Message Text

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12

ACTION AID-59

INFO OCT-01 EA-11 ADP-00 IGA-02 EB-11 COME-00 AGR-20

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E.O. 11652: N/A

TAGS: EAGR, EAID, RP

SUBJECT: PL-480 TITLE I: REQUEST IMPLEMENTATION OF FY 1974

PHILIPPINE PROGRAM

REFS: A) STATE 163272

B) MANILA 8204

C) STATE 169844

BEGIN SUMMARY: ACCORDING REF A, REVIEW OF PL-480 PROGRAMING UNDER WAY IN WASHINGTON WITH DECISIONS LIKELY BE MADE BY MIS-SEPTEMBER. RECORD SHOWS CLEAR U.S. UNDERTAKING TO PROVIDE TITLE I ASSISTANCE IN FY 74 SUPPLY PERIOD. SENIOR GOP OFFICIALS, BACKED BY PRESIDENT MARCOS HAVE ALSO REITERATED REQUEST FOR PL-480 FEEDGRAINS. ACTION REQUESTED: WE AGAIN STRONGLY RECOMMEND THAT USG PROCEED WITH TITLE I AGREEMENT FOR FY 74 PROVIDING CORN AND RAW COTTON AS WELL AS SOME RICE DURING LATTER PART OF SUPPLY PERIOD. END SUMMARY.

1. US UNDERTAKINGS ARE CLEARLY ON RECORD IN FRAMEWORK OF CONSULTATIVE GROUP TO PROVIDE PL-480 TITLE I
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ASSISTANCE TO PHILIPPINES IN FY 1974 SUPPLY PERIOD.

ALSO ON RECORD IS PRESIDENT MARCOS' APPEAL TO VP AGNEW FOR SUPPLY OF RICE AND US INFORMAL RESPONSE (STATE 117945 PARA 3) ASSURING GOP THAT IF RICE OR OTHER POSSIBLY USEFUL COMMODITIES BECOME AVAILABLE WE WILL MAKE EVERY EFFORT TO HELP ALLEVIATE ANY CONTINUING RICE SHORTAGE IN PHILIPPINES.

2. AT JUNE 1972 CONSULTATIVE GROUP MEETING US STATED INTENTION COMMIT \$35 MILLION TITLE I ASSISTANCE IN FY 73 (SUPPLY PERIOD TO BE FY 1974). NO TITLE I AGREEMENT WAS CONCLUDED IN FY 73 ALTHOUGH AMENDMENT ADDED \$11 MILLION RICE FOR FLOOD REHABILITATION ASSISTANCE. WE THEN INDICATED AT MAY 1973 CONSULTATIVE GROUP MEETING (IN PRESENTING TOTAL US ASSISTANCE TO BE PROVIDED IN FY 1973) THAT A \$24 MILLION TITLE I PROGRAM WAS TO BE CONCLUDED IN FY 73 AND THAT FOR FY 74 US PLANNED UNDERTAKE APPROPRIATE PL-480 ASSISTANCE ALTHOUGH OWING TO COMMODITY AVAILABILITY PROBLEM WE WERE UNABLE INDICATE PRECISE LEVEL OF CONCESSIONAL SALES.

3. FAILURE TO CONCLUDE AGREEMENT IN FY 73 (\$24 MILLION PROGRAM WAS IN FACT AUTHORIZED) WAS DUE INITIALLY TO EXTENDED DELAY IN WASHINGTON AUTHORIZATION TO EGIN NEGOTIATIONS (INSTRUCTIONS FINALLY RECEIVED MANILA JUNE 21). SUBSEQUENTLY, POLICY DIFFERENCES OVER ADMINISTRATION OF PESO PROCEEDS (MANILA 7207) AND SHARPLY INTENSIFYING COMMODITY PRESSURES IN US HAVE HELD UP NEGOTIATIONS.

4. AT AUGUST 22 MEETING AT PRESIDENTIAL PALACE, EXEC SECY MELCHOR IN PRESENCE OF PRESIDENT MARCOS EXPRESSED CONCERN TO USAID DIRECTOR OVER RAPID UTILIZATION OF CURRENT CORN CROP FOR HUMAN CONSUMPTION IN VIEW OF ACUTE SHORTAGE OF RICE WHICH LIKELY RESULT IN SHORTAGE OF FEEDGRAINS. MELCHOR, WITH MARCOS' SUPPORT, URGED USG SUPPLY CORN AS FEEDGRAIN UNDER PL-480. AID DIRECTOR NOTED DIFFICULT SUPPLY SITUATION BUT SAID MATTER WOULD BE LOOKED INTO.

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5. IMPROVEMENT IN PHIL BALANCE OF PAYMENTS AND INTERNATIONAL RESERVES THUS FAR IN 1973, TOGETHER WITH VERY TIGHT COMMODITY SUPPLY SITUATION AND BUDGET CONSTRAINTS IN US MAY JUSTIFY SOME REDUCTION IN PROGRAM FOR PHILIPPINES. WE BELIEVE STRONGLY, HOWEVER, THAT GOP HAS LEGITIMATE EXPECTATION OF TITLE I PROGRAM FOR FY 1974. WE AGAIN URGE WASHINGTON AGENCIES GIVE PRIORITY TO USG UNDERTAKINGS IN CG AND TO IMPORTANCE OF

PL-480 ASSISTANCE IN US-RP RELATIONS IN ORDER THAT A
TITLE I PROGRAM AS NEARLY AS FEASIBLE MEETING \$35
MILLION TARGET CAN BE AUTHORIZED IN COURSE OF CURRENT
WASHINGTON REVIEW OF FY 1974 PL-480. WE WOULD LIKE TO
CONCLUDE AGREEMENT AS SOON AS POSSIBLE FOR SUPPLY OF
CORN AND RAW COTTON, AND CONSIDERING SITUATION NOTED IN
PARA 1, SOME PROGRAMMING OF RICE.
PURNELL

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